

# ATTRITION RATE & RETENTION MANAGEMENT - A STUDY OF BPO SECTOR

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## Abstract

Business Process Outsourcing primarily is about giving out work to a third party or taking support from a vendor to support business operations which can be back office, voice and can extend across all kinds of sectors which may include BFSI, insurance, banking, travel, etc. Any business that is done from a third country is called off-shoring and from a nearby country is called near off-shoring.

This sector has increased tremendously, and India continues to be the major player in this specific industry. The market share has increased for India to 36% in the BPO sector which is popularly known as Business Process Management in the current scenario. India has almost 65% of market share in US market of BPO market and is currently leading all the major market players but there are other countries that are coming up like Philippines, China, Bangladesh, etc. and India is at the risk of losing business to these countries as they are giving competition on the basis of cost advantage, business operations, etc

The biggest issue for this industry is Employee Attrition which is currently around 30-35%. There have been several studies around this and many factors that have amounted to high attrition rate in BPO industry which revolves around various reasons.

With this research study we are trying to innovate a new model to tackle this menace and come up with a new model to counter it and primarily target the early stage attrition which is currently trending around 60%-70%. We also aim to find options to look at how to retain employees in the early stage when he joins outsourcing sector, map their career and make strong recommendations around it.

**Keywords** – BPO, Business Process Management, BFSI, Insurance, Travel, Third Party, Outsourcing, Offshoring.

## Experimental Section

### Introduction

Business Process Outsourcing means quick money, corporate environment, nice lifestyle, young college pass outs at work making it one of the youngest workforce, etc that is what this industry is best known for, however, the biggest pain that is currently faced by industry is high attrition and the challenges faced to retain the current population.

#### 1.1 Current Scenario

In last 14 years, outsourcing sector has seen tremendous improvement, in this industry. It's total turnover 25 billion US dollars as of now in 2018. The industry has grown from a small amount of 565 million dollars to such high turnovers on date. The industry grew leaps and bounds and made some huge growth over the past decade and there is some great lifestyle it has offered to the current youth that changed the complete outlook of the current generation. The industry has seen some great changes over the years and has widened its horizon in almost all the sectors.

It does not mean that it has not been prone to its share of challenges and issues. The biggest challenge or menace that the industry is currently facing is of employee attrition and retention. The attrition is way above 35% in this industry and the major reasons identified for attrition is stressful working hours, work-life balance, growth factors, stagnancy in the organization, etc.

This has its own share of impact on the industry and the organization which is loss of productivity, loss of revenue, training cost, pass back to client, impact on performance, stability issues, etc. Thus, attrition and retention go hand in hand and must be curtailed to reduce the all-round impact.

BPO sector has grown tremendously and this industry is primarily popular for quick money, good lifestyle and is known as one of the fastest growing sector of the current era. This era is that will belong to the BPO industry with the pace it has grown and the revenue that it has generated. Also, it has become the need of the hour of all the organizations and they are particularly believing and investing in outsourcing as an option probably looking

at the cost effectiveness, better quality service, meeting service level agreements, etc. This sector has given options to organizations virtually in all sectors i.e. banking, insurance, travel, e-commerce, etc.

All said and done, however, the outsourcing sector is bleeding in terms of attrition. Whatever may be the reason for attrition job dis-satisfaction, monotonous working hours, lack of job rotation, lack of growth, etc but this issue has been growing day on day and is looming large not only on this sector but other industries and sectors as well.

This research is basically not only targeted towards finding the actual concrete reasons for this high attrition which has been done in earlier studies as well but at the same time look for a model that can best fit in this situation and help curb attrition particularly in the early stages where there is maximum leakage and help this sector come in a stable state with respect to workforce and performance.

The attrition and retention are those factors that can make or break an organization. As mentioned above, employees may leave an organization for various reasons and may also get retained for some or the other factor. There is an enormous amount of difference between the actual reasons and the retention efforts to keep the employee with the organization.

The logo for JETIR Literature Review is a circular emblem. It features a central five-petaled flower with petals in red, orange, yellow, green, and blue. The flower is surrounded by a laurel wreath. The word 'JETIR' is written in a large, serif font across the top of the emblem, and 'Literature Review' is written in a smaller, bold, sans-serif font across the bottom. The entire emblem is set against a light blue background.

## Literature Review

### 2.1 Overview

Literature review has suggested that there are various reasons for attrition and have also recommended ways to stop it (Ramani and Raghunandan, 2008; Misra, 2007; Prakash and Chowdhary, 2004). There has been work done in the field like the HRM, its practices (Budhwaret al. 2006), job satisfaction (Sharma, 2006; E-sat survey 2005), organization factors for turnover (Porter and Steers, 1973) and prevention of burnout of employees. However, an all-round approach has been missing in all the directions to counter the most groaning problem of the modern times.

The major factors of attrition can be elicited below as following based on review of literature studied in this context:

**Training & Development** – These are other reasons why people leave outsourcing sector in the initial few days only. Training and development is the first face to the employees and they set the benchmarks of the organization. If they happen to set a poor example, this will set a negative example in front of the New Hires

and they may decide to leave very early on in their career stage as there is a negative impression that has already been created for the employees.

**Poor Recruitment** – This is another reason for attrition. We may not be wary of the fact that this factor contributes humongous to attrition. Any wrong employee hired based on skill set or will issue will increase the likely chances of attrition but may also impact other employees within the organization, we have seen historically that these employee attrition costs dearly as they may amount to few other attritions, at the same time.

**Performance & Rewards** – These are other important reason for attrition in the outsourcing sector. While there is lot of push for good performance but still the rewards not coming in the way of employee may leave them demotivated and they may decide to leave the organization. While we understand and acknowledge the fact that performance is very critical, we need to have the right talent pool through recruitment, training so that employees can perform and get rewarded accordingly. Rewards may not be restricted only to monetary terms, a certificate or a token of appreciation may do wonders and keep them motivated to stay with the organization.

**Growth** – This is another factor that is a major contributor to leave or stay with the organization. The employee who get tenured expect growth and in case, they don't get it, they decide to move on with the organization. So it's very important and critical that while we are focused on all other factors of attrition, we don't neglect this important aspect of employee retention so that they stay with the organization motivated and continue to contribute positively.

**Other Factors** – Outsourcing sector is often regarded as a sector which has lot of money, fast paced growth and not as a career. There is a perception that employees want to join this sector in need of quick money, this has become more of a stop gap arrangement. People join and leave it as quickly as possible when their need for money is over. Gupta (2011) in his study on outsourcing industry concluded that the biggest reason for people leaving the outsourcing was because the industry was looked at as a stop gap arrangement.

Leadership needs to be empowered is the need of the hour. This will enable to make them take judicious decision, at the same time, they need to look forward to involving employees in decision making and practice participative management style, this will enable them to feel empowered and take part in management decision making and will enable them to feel motivated and stay with the organization.

Some more literature available by important writers:

**Kariuki Elizabeth Wambui (2012)** has suggested the reasons that impact attritions are below the expectation experience from the job, job dis-satisfaction with the job, lack of recognition for work, job rotation missing, sway away from the job among others lack of supervisor support, negative working environment, job

stress, job description missing, work pressure, work life imbalance, incompetent leaders, inequality in pay for the same work, packages in the organization, training and development gaps, education level, presence of external options, larger environment and globalization. The author suggests SDV Transamimanagement to ensure clear job profile for workers, the management of SDV Transami can train its leaders on promoting work-life balance without impacting day to day work and look into their performance management and work on packages that are considered as per market to retain talent.

**Tobias Kraemer and Matthias H.J. Gouthier (2012)** have outlined the factors for high voluntary attrition in outsourcing sector, but studies on work emotions are very less. Some studies suggest emotional quotient could help explain attrition reasons, though the few studies that examine work emotions offer very less scope with few actual impact. The authors have suggested anger and pride, as two of the most dominant experienced work emotions, in a model that is based on the job needs–resources model and affective events theory, to illustrate how emotions emerge and affect attrition reasons.

Vibha Gupta (2013) has concluded that the workers need balanced work, help and recognition from their co-workers and leadership, and opportunities for growth and new ideas. The study identified that approximately 30% of the staff leave the organization due to further studies & existing educational commitments, within next 1 year. Giving importance to ways of retaining new staff will become increasingly important to assure that the organization does not lose more of its human capital and with it, its ability to serve those in need. Another important factor is organization environment, and writer suggests that if culture or work environment is good organization then it is easy to control attrition within the organization.

**Savneet Kaur (2013)** has concluded that there's no wholistic attrition management resolution for organizations. Each organization has to build its own motivational aspect a balance between organization and individual needs. The writer suggests that the companies should adopt remedial measures like giving job profile at the hiring stage, offer skill testing, employees should have a say in the organization, hold exit interviews & regular review sessions etc., and should retain their efficient employees for as long they can. Along with the team members, the supervisors also need to be trained to control and retain their junior.

**Janani (2014)** has concluded that that most of the companies in IT sector even the top most companies are facing attrition due to many factors in the current stage. The most important of all is packages, because numerous options are available in the market for experienced, good qualified employees if they move over to other companies, they will better package. There are many factors that are involved for the turnover among the workers. Companies should be alert and work on steps to stop attrition so that they can reduce the expenditure of employees for recruitment, training and development.

**Vidya Sunil Kadam and Thakar (2014)** has suggested that those having average age of 24-28 years and the experience between 2 to 4 years are having more attrition. The writer suggested that the attrition rate has increased because of unhappiness with pay, career, packages & boss relation.

## 2.2 Gaps in the study

There is no dispute about the fact that there have been numerous studies that has been done in this field and some considerable findings and outcomes have come out that helped curb attrition in this sector. However, the attrition level continues to be on the higher side which has a considerable impact on this industry. Literature review has also suggested how various scholars have found numerous reasons and suggested some great recommendations to curb it like new approach HRM and practices, recreation activity approach, burnout issues address, etc.

Most of the studies in this have been of qualitative in nature. They have revolved more around employee motivation and job satisfaction level, however, there is more to it and can't be neglected especially with the fact that this industry growth rate and revenue generation capacity and attrition has been a groaning issue that needs to be immediately addressed to sustain the industry's stability.

There are few specific gaps that can be ascertained from the literature review post reviewing the literature available on the issue:

1. It is limited to metro cities as of now
2. Stage wise attrition not targeted in the studies conducted so far
3. Study is only limited to survey or questionnaire technique
4. Survey population used in the studies is limited to managerial ranks only
5. Target population not being surveyed properly
6. Top to bottom study of attrition is required to ascertain the root cause

### 2.3 Objectives of the study

The objective of the study primarily moves around exploring reasons and retention strategies to combat attrition in this industry and bring it down to acceptable standard so that it has minimal impact on the organization be it productivity, revenue generation, training and development cost, etc to help it come to a stable state.

The objectives of the study are as follows:

- i. To identify and rank the factors of attritions in BPO
- ii. To analyze the data in the industry with phase wise segregation to understand the trend and target the actual root cause
- iii. Identify the various retention strategies available
- iv. To suggest best strategy that suits the industry to combat attrition and focus on retention

### Scope of the study

There have been various studies in this field and there is lot of literature available on the topic.

1. The studies are basically based in the metro cities especially the NCR region but since the industry has grown multi folds and moved to Tier II cities, they need to be given due consideration in the research due to the demographic and social, economic differences between the NCR region and Tier II cities.
2. Earlier studies were base mainly based on smaller sample size, however, to have concrete reasoning we need to have a larger sample size
3. There has never been a stage wise break up to study the attrition so that target and resource could be invested to curtail attrition
4. The target interview sample has been restricted to managerial level and the front liners have been neglected
5. Model worked out to be implemented in a few organizations so that its impact can be gauged

This is a the most important aspect of the study as this is the phase in research where we apply very statistical tests and techniques to check the validity and reliability of data collected so far and analyzed. This phase is mainly in alignment with the objectives of the research. We work on the various literature review and field study done so far basically:

- Primary Data
- Secondary Data

## 4. Research Methodology

### 4.1 Primary Data – Its Analysis

The data that is not gathered or available in secondary literature is what we find and figure out with the help of primary data.

This study looks at larger sample size and which encompasses across cities that has impacted attrition with special emphasis on the phase wise attrition where early life amounts to over to 60-70% of overall attrition in this sector.

Sampling design to be of probable technique or stratified sampling technique

**Target population:**adequate balance of early lifers (> 90 day old) & tenured employees (<90 days old)

**Survey technique:** structured questionnaires to be sent out to respondents through email or web surveys or CATI technique to be used in case, of low response

**Sample size:**1000 employees

**Data Analysis:** The data that is captured through surveys is put through statistical tests to check their reliability and validity and various analysis and appropriate statistical method will be used for analysis purpose.

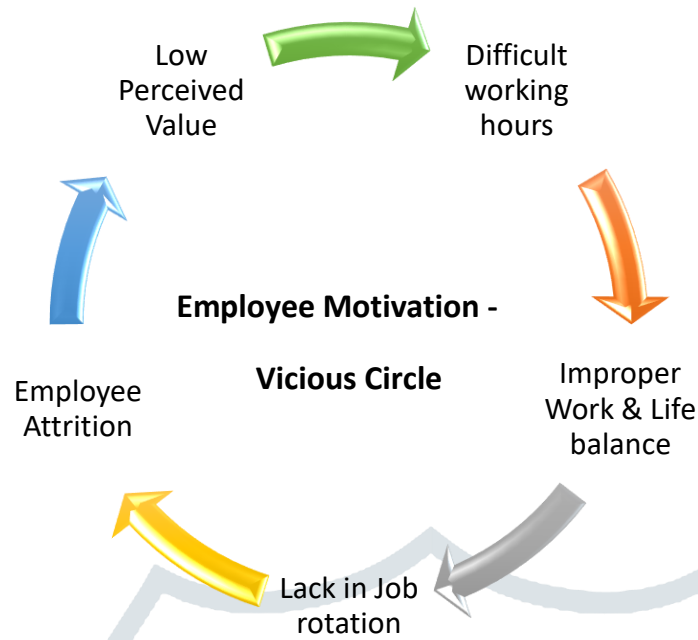
The analyzed data is further used to recommend a model that can be used and put to practice in few organizations and its impact can be gauged.

### 4.2Secondary Data

There is loads of literature available around attrition and retention in the outsourcing sector. There is data available that have used forced rank method with perceived value being ranked as no one, followed by higher salary expectation, etc.

Outsourcing has become a vicious circle of dis-satisfaction leading to employee attrition and while the sector has grown over last 2 decades, however, the bridge between the actual employee motivation level has grown a lot and thus this needs to be immediately addressed.





**Fig 1: Employee Motivation-Vicious circle**

Source: self-created

## Expected Outcome of the Research

With the study undertaken we look forward to the concrete reasons for attrition and strong retention management to stop this leakage. It has been observed that this is more a Human resource management practice or issue anymore, this must be taken up by all the departments and leadership as this ultimately has an overall impact.

We look forward to having a strong model to curtail attrition in the outsourcing sector so that this industry can be benefitted from this and the menace of attrition can be stopped. While we understand that attrition cannot be stopped, it can certainly be reduced and brought to acceptable standards.

The model and outcome of the research looks forward to:

- a) Provide more comfortable working conditions to help the current situation and employees
- b) Better pay and perks
- c) Help change the perception of the industry
- d) Help innovate and change the current situation of the industry with respect to market challenges

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